

Message Text

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ACTION EB-08

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E.O. 11652: N/A

TAGS: EINV, EMIN, JO

SUBJECT: AGRICO PARTICIPATION IN JORDAN PHOSPHATE FERTILIZER
INDUSTRIES COMPANY (JPFI)

1. AT REQUEST OF DR. HANNA ODEH, CHAIRMAN OF BOARD
OF JPFI (AND PRESIDENT OF JORDAN'S NATIONAL PLANNING
COUNCIL), AMBASSADOR CALLED ON ODEH TO DISCUSS RECENT
DEVELOPMENTS REGARDING JPFI. ODEH TOLD AMBASSADOR HE
IS VERY DISTURBED ABOUT APPARENT SUDDEN CHANGE IN
AGRICO'S ATTITUDE TOWARD AND INTEREST IN THE JOINT
VENTURE FERTILIZER COMPANY.

2. ACCORDING TO ODEH, GOJ HAS BEEN CONSISTENTLY VERY
ACCOMODATING TO AGRICO DESIRES THROUGHOUT COURSE OF
AGRICO-JORDANIAN ASSOCIATION ON FERTILIZER PROJECT.
ODEH MENTIONED SEVERAL SPECIFIC EXAMPLES. -- AGRICO'S
ORIGINAL EQUITY INVESTMENT OF 25.1 PERCENT (\$16 MILLION US)
WAS EXACTLY WHAT AGRICO WANTED. TWO OF THE THREE
MEMBERS OF JPFI'S MANAGEMENT BOARD ARE NAMED BY
AGRICO. SEVERAL INFRASTRUCTURE REQUIREMENTS FOR JPFI,
SUCH AS WATER SUPPLY AND PORT FACILITIES, ARE BEING
OR WILL BE FUNDED BY GOJ RATHER THAN JPFI, THUS
REDUCING COSTS TO JPFI AND AGRICO. JORDANIAN
PHSOPHATE ROCK WILL BE SUPPLIED TO JPFI ON TERMS
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THAT AGRICO WANTED. AGRICO HAS BEEN ALLOWED TO
EXTEND TERM OF ITS FEASIBILITY STUDY BEYOND FORTY
MONTHS ORIGINALLY AGREED UPON. AGRICO HAS ALREADY
RECEIVED MORE THAN \$1.5 MILLION IN PAYMENTS FROM
JPFI. FINALLY, ODEH HAD AGREED TO AGRICO'S REQUEST
TO REDUCE ITS EQUITY PARTICIPATION TO \$10 MILLION.

3. ALL THESE CONCESSIONS, ACCORDING TO ODEH, WERE MADE IN INTEREST OF PROMOTING PROJECT AND JORDANIAN UNDERSTANDING OF AGRICO COMMITMENT TO IT. HOWEVER, WITH JANUARY RESIGNATION OF AGRICO PRESIDENT, JACK BABBITT AND APPOINTMENT OF NEW AGRICO PRESIDENT, AGRICO SEEMS TO HAVE LOST INTEREST IN FERTILIZER PROJECT. FIRST, AGRICO EXPRESSED TO IFC RESERVATIONS ABOUT FEASIBILITY STUDY WHICH IS PREPARING PROJECT APPRAISAL REPORT, DESPITE FACT THAT AGRICO ITSELF CARRIED OUT THE FEASIBILITY STUDY. MORE RECENTLY, IFC VICE-PRESIDENT WAS ASKED BY AGRICO TO DETERMINE LIKELY GOJ REACTION TO ITS POSSIBLE TOTAL WITHDRAWAL FROM PROJECT. MOST RECENTLY, WITH JPFI ACTING MANAGER, BASIL JARDANEH, NOW IN UNITED STATES FOR DISCUSSIONS WITH IFC, AGRICO ADVISED HIM THAT ITS OFFICIALS ARE NOT AVAILABLE TO MEET WITH HIM BEFORE MARCH 5.

4. ODEH POINTED OUT TO AMBASSADOR THAT COMMITMENT OF POTENTIAL FINANCING INSTITUTIONS TO FERTILIZER PROJECT CANNOT BE SECURED PRIOR TO ISSUANCE OF IFC APPRAISAL REPORT, WHICH DEPENDS ON AGRICO COOPERATION. TO AVOID FURTHER DELAYS IN THIS REGARD AND ADDITIONAL ESCALATION OF COSTS, WHICH ARE ESTIMATED TO HAVE ALREADY MORE THAN DOUBLED SINCE 1974, ODEH IS ANXIOUS FOR EARLY MEETING OF IFC, JPFI MANAGER, AND AGRICO TO RESOLVE DIFFICULTIES THAT ARE IMPEDING PROGRESS AT THIS POINT. ODEH'S REQUEST APPEARS TO US REASONABLE AND BASED ON LEGITIMATE CONCERNS.

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5. EMBASSY HAS FOLLOWED CLOSELY AND ENCOURAGED DEVELOPMENT OF AGRICO/JORDANIAN JOINT VENTURE SINCE ITS INCEPTION. FERTILIZER PROJECT REPRESENTS VERY LARGE INVESTMENT FOR JORDAN AND IS KEY ELEMENT OF COUNTRY'S 1976-1980 FIVE YEAR PLAN. PROJECT'S IMPORTANCE TO JORDAN LEADS US TO SHARE GOJ CONCERNS THAT ITS EXECUTION NOT BE DELAYED UNNECESSARILY AND THAT COSTS NOT ESCALATE FURTHER DUE TO SUCH DELAYS. IN ADDITION, AGRICO INVESTMENT OF \$16 MILLION MORE THAN DOUBLED AMERICAN DIRECT INVESTMENT IN JORDAN. COLLAPSE OF PRESENT JOINT VENTURE ARRANGEMENT MIGHT WELL DISCOURAGE POTENTIAL FOREIGN CAPITAL THAT JORDAN BADLY NEEDS TO DEVELOP SOUND, SELF-SUFFICIENT ECONOMY. THIS WOULD BE PARTICULARLY UNFORTUNATE IF THIS OCCURRED THROUGH NO FAULT OF GOJ. FURTHER, THERE IS SOME DOMESTIC OPPOSITION IN JORDAN TO AGRICO BY WHICH SENIOR GOJ OFFICIALS HAVE THUS FAR REFUSED TO BE SWAYED. AGRICO'S APPARENT PRESENT COURSE HURTS OVERALL US BUSINESS PROSPECTS HERE AND IN GENERAL REFLECTS BADLY ON US-GOJ RELATIONS

ACROSS THE BOARD. FOR AGRICO'S PART, COMPANY'S INTERNATIONAL REPUTATIONS, MOST CERTAINLY IN MIDDLE EAST, WOULD SUFFER BADLY IF IT FAILS TO PERFORM RESPONSIBLY ON ITS COMMITMENTS IN JORDAN. AS ODEH REMARKED TO AMBASSADOR, FERTILIZER JOINT VENTURE HAS INSTITUTIONAL CHARACTER AS AGREEMENT BETWEEN AGRICO ON ONE HAND AND GOJ ON OTHER. THAT AGRICO MAY ALTER COMMITMENTS UNILATERALLY AND ARBITRARILY IN SUCH ARRANGEMENTS WITH CHANGE IN CHIEF EXECUTIVE OFFICER, AS IT NOW APPEARS TO ODEH, WOULD SERVE COMPANY'S REPUTATION POORLY.

6. ACTION REQUESTED -- THAT DEPARTMENT CONTACT AGRICO TO ENCOURAGE SOONEST POSSIBLE MEETING BETWEEN AGRICO, IFC, AND JPFI MANAGER IN ORDER THAT ALL THREE PARTIES OBTAIN CLEAR UNDERSTANDING OF CURRENT DIFFICULTIES AND HOPEFULLY INITIATE IMMEDIATE MEASURES FOR THEIR RESOLUTION.

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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